

Message Text

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ACTION EA-10

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 SAM-01 OES-03

SP-02 SS-15 STR-04 TRSE-00 FRB-03 PA-01 PRS-01 USIA-06

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P R 070920Z APR 75

FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC PRIORITY 9482

INFO AMEMBASSY SINGAPORE

LIMITED OFFICIAL USE KUALA LUMPUR 1834

E.O. 11652: N/A

TAGS: ENRG MY

SUBJ: NEW LEGISLATION WOULD GIVE PETRONAS

MANAGEMENT CONTROL IN OIL COMPANIES

PROCESSING AND MARKETING PETROLEUM PRODUCTS

REF: A-116, 9/3/74

1. BEGIN UNCLASSIFIED. BILL HAS BEEN INTRODUCED
PARLIAMENT TO AMEND PETROLEUM ACT, 1974 TO APPLY TO
ANY COMPANY MARKETING OR DISTRIBUTING PETROLEUM AND
PETRO-CHEMICAL PRODUCTS.

2. BILL PROVIDES THAT ANY COMPANY PROCESSING OR
REFINING PETROLEUM, MANUFACTURING PETRO-CHEMICAL
PRODUCTS, OR MARKETING OR DISTRIBUTING PETROLEUM
AND PETRO-CHEMICAL PRODUCTS IN MALAYSIA SHALL
RESERVE FOR PETRONAS (NATIONAL PETROLEUM CO.)
MANAGEMENT SHARES EQUAL TO ONE PERCENT OR MORE OF
ISSUED AND PAID UP CAPITAL OF THE COMPANY AND
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THAT EACH MANAGEMENT SHARE IS ENTITLED 500 VOTES PER

SHARE ON ANY RESOLUTION RELATING TO APPOINTMENT OR
DISMISSAL OF DIRECTORS OR ANY MEMBER OF STAFF OF
COMPANY. PRIME MINISTER EMPOWERED EXEMPT ANY COMPANY
FROM PROVIDING MANAGEMENT SHARES TO PETRONAS.

3. COMPANIES PRESENTLY ENGAGED IN MARKETING AND
DISTRIBUTION PETROLEUM AND PETRO-CHEMICAL PRODUCTS
ALSO MUST APPLY IN WRITING TO PRIME MINISTER WITHIN
SIX MONTHS FROM DATE OF COMMENCEMENT OF LAW FOR
PERMISSION CARRY ON OPERATIONS.

4. COPY COMPLETE BILL BEING POUCHED. END UNCLASSIFIED.

5. BEGIN LOU. COMMENT: U.S. OIL COMPANIES MARKETING
PETROLEUM AND PETRO-CHEMICAL PRODUCTS IN MALAYSIA
ARE ESSO, CALTEX AND MOBIL. ESSO ADVISES EMBASSY
THAT PRELIMINARY ANALYSIS OF BILL BY LEGAL STAFF
INDICATES PROVISION ON MANAGEMENT SHARES WOULD EFFECTIVELY
RESULT IN NATIONALIZATION OF ESSO OPERATIONS BECAUSE
500 VOTES PER MANAGEMENT SHARE OF SHARES TOTALLING
ONE PERCENT OF ISSUED AND PAID UP CAPITAL WOULD GIVE
PETRONAS MANAGEMENT CONTROL. SAME IS TRUE OF MOBIL WHO WE
UNDERSTAND CONVENED EMERGENCY MEETING OF BOARD OF
DIRECTORS OVER PAST WEEK-END TO CONSIDER SITUATION.

6. CALTEX AGREES THAT IF PROVISIONS IMPLEMENTED,
PETRONAS WOULD OBTAIN MANAGEMENT CONTROL AT NOMINAL
COST. CALTEX EXPRESSES DOUBT THAT PETRONAS IN
POSITION THIS TIME TO MANAGE OIL COMPANIES MARKETING
PETROLEUM PRODUCTS IN MALAYSIA AND KEY QUESTIONS ARE
WHETHER GOM INTENDS IMPLEMENT PROVISIONS AND, IF SO,
WHAT IS TIME TABLE?

7. EMBASSY UNDERSTANDS PETROLEUM ACT AMENDMENTS WERE
HASTILY DRAFTED WITHIN PAST WEEK OR SO. ALTHOUGH LOWER
HOUSE OF PARLIAMENT IS DUE TO RECESS TOMORROW (APRIL 8),
IT IS POSSIBLE THAT GOM MAY NOT PRESS FOR PASSAGE
OF AMENDMENTS AT THIS SESSION OR MAY REVISE THE AMENDMENTS
DEPENDING UPON REACTIONS OF OIL COMPANIES. AT THIS JUNCTURE,
OUR ASSESSMENT IS THAT AMENDMENTS WILL BE APPROVED AT THIS
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SITTING OF PARLIAMENT; SENATE SESSION ENDS APRIL 18. EMBASSY
WILL REPORT FURTHER AS ADDITIONAL IN-
FORMATION OBTAINED.
END LOU.
UNDERHILL

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